

Employer Advisory Committee Meeting Minutes
November 13, 2014

DRS Team Members Present:

Mike Ricchio, Chairperson
Alex Kasuske, Retirement Services Manager
Amanda Persell, Administrative Assistant
Brian Berghoff, Senior Policy and Rules Analyst
Christine Gee, Management Analyst
Dave Nelsen, Assistant Director of Customer and Policy Services
David Brine, Communications Director
Jacob White, Legal/Legislative Services Manager
Jamie Carl, Employer Support Services
Jeff Groebner, Employer Support Services
Jennifer Goss, Retirement Services Team Leader
Jennifer Rosebraugh, Financial Reporting
Jonathan Stoffer, Employer Support Services
Kareen Morlan, Accounts Receivable
Karla Philips, Management Analyst
Kym Nelsen, Employer Support Services
Larry Bona, Employer Support Services
Lisa Horne, Information Technology Specialist
Rose Bossio, Project Manager
Seth Miller, Retirement Services Manager
Sharon Houseman, Accounts Receivable Manager
Shawn Merchant, Assistant Director of Policy and Strategic Initiatives Division
Sheila Alexander, Retirement Services Team Leader
Shelly Umpstead, Information Technology Specialist

Employer Members Present:

Christie Johnson, Dept. of Social & Health Services
Gail Davila, City of Bellevue
Helen Sick, Dept. of Social & Health Services
Kimberly Fleming, King County
Sheryl Gordon, Green River Community College

Employer Members Present via Conference Call:

Barbara Cox, Port of Tacoma
Chandra Winston, Port of Seattle
Katy Dwyer, University of Washington
Lynn Guyton, Puyallup School District
Maureen Kwant, WSIPC
Terry Schaefer, WSIPC

Welcome

Chairman Ricchio welcomed everyone to the meeting and thanked them for attending. He then asked Dave Nelsen to introduce a new member of the DRS team, Jacob White. Mr. Nelsen has moved into a position managing the Retirement Services Division and Jacob will be filling the

Legal/Legislative Services Manager position. Dave will give the Legal/Legislative update today, but Jacob will give them in the future.

Legal/Legislative Update – Dave Nelsen

Dave Nelsen gave an update on what's happening in the Legislature. Click [here](#) to see the Legislative Summary.

Legal Update:

The legislation that created the UCOLA and the Gainsharing benefits included a Reservation of Rights clause that reserved the right for the Legislature to amend or repeal these benefits in the future. The Legislature chose to exercise those clauses and repeal those benefits. The Supreme Court said that they were entitled to do so; that the Reservation of Rights language was a part of the original benefit itself, so there was not a contract law violation. The Gainsharing case is complete and final. The Supreme Court didn't hear all of the issues with the UCOLA case and remanded it back to the Superior Court to look at the remaining issues, such as the right to the benefits if the communication that was provided by DRS didn't include notice that the benefit could be repealed. This argument was brought up in the Supreme Court on the Gainsharing case and was found to be insufficient, so it is still unknown if the plaintiffs will continue with this argument. The attorneys are working on how to move forward.

Please contact [Jacob White](#) with any questions.

Employer Reporting Application – Rose Bossio

Rose Bossio, Project Manager, gave an update on the progress of the Employer Reporting Application Project. Approximately a year ago, the Department of Retirement Systems was in the process of procuring a BPMS (Business Process Management Suite), which is a development tool that would be used to rebuild the Department's Employer Reporting Application. During the negotiation phase, the successful bidder and DRS could not reach an agreement on the core requirements, therefore the procurement was canceled and project spending was frozen. Since then, there was a six-month restart to look at lessons learned and next steps. During that time there was some additional outreach to vendors as well as pension peers. Based on the information gathered, the Department is still committed to replacing the Employer reporting application using the BPMS toolset. The project team has started the work to create the new decision package to resubmit for funding in time for the next Legislative session.

Some of the more prominent lessons learned were around the dollars that were budgeted. In speaking with some of the vendors that did not bid, DRS found that vendors felt as if there was not a sufficient budget for the scope and schedule of the project. Using the lessons learned, the assumptions and budget were reevaluated and the decision package and RFP are being redeveloped.

To see the new project timelines, click [here](#).

Please contact [Mike Ricchio](#) with any questions.

Recordkeeper Update – Shawn Merchant

The contracts for the two current recordkeepers are set to expire in July of 2015. Approximately nine months ago, DRS began preparing to search for new recordkeeping services. First, the Department contracted with a consultant to assist in building the RFP soliciting responses from

potential bidders who best fit the needs of Plan 3 and DCP members. This RFP was released in March, 2014. A team was assembled to review the proposals of the five potential vendors that submitted bids. Four vendors were then given questions based on their proposals and invited to come to DRS to do an interview. They were to elaborate further based on those questions and to illuminate on the culture of their organization, how they accomplished their tasks, and to give a sense on how they matched with the needs of the Department. A team from DRS did site visits with three out of those four vendors, asking even more focused questions. The site visits were done in Denver, at GreatWest (who is the current DCP recordkeeper); Scranton, PA, at Prudential; and in Washington DC, at ICMA (the current recordkeeper for Plan 3). Based on the analysis of all information, GreatWest was announced as the apparently successful bidder in October, consolidating all recordkeeping services with one recordkeeper.

It is anticipated that there will be a contract signed in early December and the transition phase of the project will begin in January. The plan is to have this implemented October 1, 2015.

Click [here](#) to see the update on the Recordkeeper procurement.

Please contact [Shawn Merchant](#) with any questions.

CAFR – Jennifer Rosebraugh/Karla Phillips

The 2014 Comprehensive Annual Financial Report has been posted on the DRS website. To see the 2014 CAFR, click on [Annual Financial Reports](#) on the DRS website. One of the changes this year was that GASB 67 was implemented. GASB is the Governmental Accounting Standards Board. The note disclosures are indicated in Note 2, Section B beginning on page 49. In addition, the Required Supplementary Information begins on page 84 and includes the Schedules of Changes in Net Pension Liability, Schedules of Net Pension Liability, Schedules of Employer Contributions and the Schedule of Investment Returns.

Click [here](#) to see the CAFR presentation.

GASB 67/68 Update – Jennifer Rosebraugh/Karla Phillips

In June 2012, the Governmental Accounting Standards Board (GASB) issued new standards for pension accounting and reporting – standards that will significantly change the way state and local governments calculate and report the costs and obligations associated with providing pension benefits for their employees.

The new standards are being implemented in two phases. Statement 67, which addresses financial reporting for the pension plans, is being implemented by the Department of Retirement Systems for its fiscal year ending June 30, 2014. Statement 68 establishes new accounting and financial reporting requirements for government employers that prepare GAAP-compliant financial statements. Statement 68 is effective for fiscal years beginning after June 15, 2014. Included in Statement 68 is the requirement that employers recognize their proportionate share of any unfunded pension obligation (also called the “net pension liability”) as a balance sheet liability in their financial statements. In addition, employers will be required to recognize certain pension expenses immediately rather than over a period of time.

In 2013, the Department of Retirement Systems, the Office of the State Actuary, the State Treasurer’s Office, the State Auditor’s Office, the Office of Financial Management and the Department of Enterprise Services formed a workgroup to collaborate in implementing the new

standards. In February of 2014, DRS surveyed non-state employers regarding the new GASB standards asking specific questions such as what kind of financial statements they prepare and when their year-end was. The results of the survey and questions received back were compiled into three documents: Employer's Questions, FAQs, and Employer Resources and were posted onto the DRS website. These online resources continue to be updated as new information becomes available.

Additionally, the AICPA (American Institute of Certified Public Accountants) issued a white paper in February regarding employer reporting for the new GASB reporting standards. The link to this white paper is also available through the DRS website. The State Auditor's Office, in collaboration with DRS and the DRS plan auditors, Clifton Allen Larson (CLA), will be performing Census Data Audits of selected employers for implementation of GASB 68. These are being performed based on the direction that has been provided in the AICPA white papers, and are anticipated to be completed by the middle of April, 2015. Employers will be notified if they are selected for an audit.

DRS will be preparing the Schedules of Employer Allocations shown on page 5 and the Schedule of Collective Pension Amounts shown on page 8 of the AICPA White Papers for each Cost Sharing Pension Plan administered by DRS. The Census Data Audits will need to be completed before DRS publishes these schedules. CLA will then audit the schedules and issue an opinion to DRS on the schedules that specify each individual plan. The audited schedules are anticipated to become available to employers by the end of April 2015 via the DRS website.

Click [here](#) to see the GASB 67/68 update. To keep current on the Governmental Accounting Standards Board updates, click on [New GASB Standards](#) and [Frequently Asked Questions](#) on the DRS website. Please contact Employer Support Services with any additional questions.

Request for Employer Information – Seth Miller/Christine Gee

Currently, DRS sends emails to request additional information from Employers for the following reasons:

- MRV (Member Reporting Verification)
- VOE (Verification of Earnings)
- VOE + 3 (Verification of Employment)
- Leave cash out information
- Final compensation information
- Furlough verification

In any of these processes, a DRS team member should send an email with supporting documentation to the employer regarding a member account. The employer then reviews the request and responds via email.

DRS is enhancing E-Services to handle requests for information. This will allow DRS team members to create and send requests via E-Services. Employers will then be able to view a list of all of the request from DRS and respond in the same way. The new system is currently being piloted through five employers sending live data through E-Services: Labor & Industries, Department of Corrections, Department of Social & Health Services, Pierce County and Seattle School District. The Department will roll the new system out on January 12, 2015.

Click [here](#) to see the Request for Employer Information presentation.

Please contact [Mike Ricchio](#) with any questions.

Open Discussion

Before the meeting, Chairman Ricchio received an email from Helen Sick of DSHS asking if it was possible to receive Statements of Account Activity electronically. This is a project that is on the list to be completed, but there are a few things ahead of it. The best estimate is that it would take a mainframe programmer, a business systems analyst and a web developer to complete the enhancement. It's an enhancement that we would all like to see, it's in the queue, and we are hoping it can get done as soon as possible.

Closing

Next meeting will be February 19, 2015 at the Department of Retirement Systems.